

1 MS. FARROBA: And it's not a shared  
2 facility, is it?

3 MR. PITTERLE: No, it's not.

4 What I would just like to add to that,  
5 though, is that what we see more typically than  
6 that scenario is where the CLEC switch in City A is  
7 not in that same local calling area, the  
8 originating customer from City A. It's in a remote  
9 city location, and now Verizon will route that  
10 traffic over the dedicated local interconnection  
11 trunk group between City A and City B, and in that  
12 case that's where I got into my example on traffic  
13 is routing on that local interconnection trunk  
14 group. There has been agreed-upon transport  
15 between the two parties for local traffic. And if  
16 there's toll traffic over that local  
17 interconnection trunk group, we apply access  
18 charges to it.

19 MS. PREISS: Do you pay excess charges in  
20 that case?

21 MR. PITTERLE: No. If it's originating  
22 call, our view is that's an originating access-type

1 of call. It's a long-distance call because of end  
2 points, and Verizon has to recover its originating  
3 transport costs. It will bill originating  
4 transport. The FX customer would pay for that  
5 ultimately, just like the FX customer pays for  
6 transport in the dedicated arrangement that we  
7 discussed first.

8 But again, I'm focusing on where the CLEC  
9 switch is not in the same local calling area of the  
10 Verizon originating customer in its switch, and the  
11 transport between those two switches which is now  
12 outside the local calling area, assuming there is  
13 dedicated local trunks between the two companies.

14 All I'm saying is that in those  
15 situations, the traffic will route on that, and we  
16 are willing to try to work out an arrangement to  
17 settle on the transport for that traffic, similar  
18 to the IP arrangement we just discussed.

19 MS. FARROBA: But those are dedicated  
20 facilities you're talking about?

21 MR. PITTERLE: Right.

22 MS. FARROBA: You are already being

1 compensated?

2 MR. PITTERLE: Verizon could own the  
3 entire route, or Verizon could own very little of  
4 that route. Generally, Verizon owns a good share  
5 of that route.

6 And in--if this was toll traffic, one plus  
7 dial traffic, it would go over that same route. If  
8 it wasn't a virtual FX situation, and we would have  
9 traffic going over the same facilities, and we  
10 would charge access charges because it's intra-LATA  
11 toll traffic. That's why we carve it out.

12 MS. PREISS: I'm sorry, it must be late in  
13 the day. I feel like you're saying something  
14 opposite of what was said yesterday. If it's the  
15 call from a Verizon end user in local calling area  
16 A to a CLEC end user in local calling area B, and  
17 the CLEC switch serving local calling area A and B  
18 is in local calling area B, Verizon would charge  
19 its end user toll charges; right? It would be a  
20 toll call.

21 MR. PITTERLE: If it's a one plus dial  
22 call.

1 MS. PREISS: Okay. And you would charge  
2 your customer a toll rate, and you would charge a  
3 Virginia access to the CLEC?

4 MR. PITTERLE: No, in that case, if it was  
5 a pure one plus dial call, it's intra-LATA call, it  
6 would route over those local interconnection  
7 trunks. Verizon would bill its end user for long  
8 distance because the switch recognized it as a  
9 long-distance call, and we could bill it.

10 When we bill it, if we are the toll  
11 provider which I believe we would be here, we would  
12 keep that revenue and we would owe some access to  
13 the terminating carrier.

14 MS. PREISS: The difference is with the  
15 virtual FX arrangement, if instead the CLEC  
16 customer is a virtual FX customer, is you're not  
17 getting toll revenue from your end user.

18 MR. PITTERLE: That's correct.

19 MS. PREISS: Nor are you paying  
20 terminating access to the CLEC?

21 MR. PITTERLE: That's correct. We don't  
22 feel we should pay terminating access. They are

1 asking for reciprocal compensation. We are saying  
2 it's not a local point. The ends points are long  
3 distance.

4 MS. PREISS: I understand your position.

5 MR. SCHELL: Going back to the drawing, I  
6 think, and if I'm wrong, Verizon could correct me,  
7 this, remember again, I'm looking again at Verizon  
8 Exhibit 54, and the top part of that diagram was  
9 Staunton, and the bottom was Roanoke. You had  
10 asked earlier if Verizon provided the service,  
11 where would the private line be.

12 And if this customer, and I'm now talking  
13 the Verizon customer in City B, lower right-hand  
14 corner, wanted to purchase an FX with a Staunton  
15 phone number, this is his local serving market, the  
16 Verizon end office serves that customer, this would  
17 be the private line that Verizon would provide.  
18 They would provide a private line, basically. And  
19 this is not switch gear. This loop is  
20 cross-connected around the switch, so that, in  
21 fact, this customer's loop is now provided directly  
22 by the switch wherein the NPA/NXX the customer

1 desired resides.

2           And Verizon says, when they do this, and  
3 the world and--for example, another Staunton  
4 customer of Verizon, for example, this customer  
5 here in the upper right-hand portion of the chart,  
6 completes a call to that number, that's a local  
7 call.

8           If a CLEC were to step into Verizon's  
9 shoes and offer a competing service or the customer  
10 requested it, and this customer now became, and  
11 according to the customer in City B, the right-hand  
12 corner, the Verizon customer now became a CLEC  
13 customer who wanted the same FX service out of the  
14 Staunton NPA/NXX.

15           The CLEC--and now this customer is now a  
16 CLEC customer--would collect on its switch directly  
17 to the customer, and there are a number of ways to  
18 do that, it could again use an unbundled loop as we  
19 talked about this morning, but it would connect  
20 this switch for that customer. Again, the NPA/NXX  
21 for Staunton resides in this switch just as it did  
22 in the case of Verizon. These switches are both

1 from the same local calling area. The subscriber  
2 hasn't gone anywhere, but now Verizon would hold  
3 that when the Verizon customer calls what is now  
4 the CLEC's FX customer, the call is a phone call.

5 MS. FARROBA: Who is paying for those  
6 facilities from the CLEC switch to the CLEC  
7 customer in City B?

8 MR. SCHELL: This is a CLEC-provided  
9 facility.

10 MR. MOON: I'm going to ask, going down  
11 the panel, whether starting with Verizon if you're  
12 aware of any open docket in Virginia regarding  
13 local calling areas, rate centers, or rate center  
14 consolidation?

15 MR. PITTERLE: That has actually ruled on  
16 what is the local calling areas for Verizon?

17 MR. MOON: Yes.

18 MR. PITTERLE: I believe there have been  
19 consistent determinations of Verizon's local  
20 calling area and extended area service, mandatory  
21 extended area service, boundaries. There has not  
22 been a ruling that I'm aware of that says, "For

1 intercarrier compensation, here is what we use  
2 specifically," but in the entire time that I'm  
3 aware of, going back to--since 1996, at least, our  
4 view is, and I believe we have settled intercarrier  
5 compensation on the basis of Verizon local calling  
6 areas. But there is no state decision to otherwise  
7 say in Virginia.

8 MS. PREISS: Is there an open docket in  
9 Virginia on rate center consolidation, to your  
10 knowledge?

11 MR. PITTERLE: I'm not sure. There may  
12 be. I'm not aware.

13 MS. PREISS: Do you know, Mr. Schell?

14 MR. SCHELL: I'm not sure either. I  
15 believe there is.

16 MS. PREISS: Mr. Collins?

17 DR. COLLINS: I have no knowledge of that.

18 MS. PREISS: Mr. Ball?

19 MR. BALL: I don't know.

20 MS. PREISS: Is it your position,  
21 Mr. Pitterle, that a CLEC is not entitled to use an  
22 NPA/NXX code out of one wire center to serve a



1 customer that is not physically located within the  
2 local calling area served by that wire?

3 MR. PITTERLE: No. I said they are  
4 entitled to do it. They can do it. It works  
5 within the industry routing guide to do it. There  
6 is no industry routing guide police that come down  
7 and say no, so it is being done. That is not our  
8 problem. Our concern is being charged reciprocal  
9 compensation for what we consider to be these types  
10 of calls, when we feel they're not local.

11 MS. PREISS: I have an easy question, I  
12 think. If I could ask you, Mr. Pitterle, to look  
13 at page--starting on page 32 of the JDPL, look at  
14 Verizon's proposed contract language 5.7.4. Do you  
15 have that language in front of you? That says the  
16 designation of traffic as local or intra-LATA toll  
17 for purposes of compensation shall be based on the  
18 horizontal and vertical coordinates associated with  
19 the originating and terminating NPA/NXXs of the  
20 call.

21 Then if you will look at your proposed  
22 language 5.7.1, which is what we have been talking

1 about here, which is on page 45, is 5.7.4  
2 consistent with 5.7.1?

3 MR. PITTERLE: It seems to be  
4 inconsistent, and my--

5 MS. PREISS: Inconsistent?

6 MR. PITTERLE: Inconsistent.

7 And my first reaction when I looked at it  
8 is you do use NPA/NXXs and vertical and horizontal  
9 coordinates for determining meet-point billing  
10 under access charge arrangements. That's the type  
11 of avenue that the ordering and billing forum uses  
12 for determining that type of intercarrier  
13 compensation. But the word "local" seems  
14 inconsistent to me, and I would like to research  
15 that, but that's my answer. It's inconsistent.

16 MS. PREISS: 5.7.4 and 5.7.1 really can't  
17 live together in the same contract in any simple  
18 way?

19 MR. PITTERLE: That's my reaction now,  
20 yes.

21 MS. PREISS: But Verizon does propose  
22 determining compensation for a call based on

1 originating and terminating NPA/NXXs in at least  
2 some circumstances? Meet-point billing, you said?

3 MR. PITTERLE: Meet-point billing and  
4 things we have been doing all along, but for  
5 meet-point access billing.

6 MS. PREISS: That's an industry standard  
7 as expressed in guidelines that OBF has  
8 promulgated?

9 MR. PITTERLE: The vertical and horizontal  
10 coordinates are used to determine the meet-point  
11 billing percentages; I'm definitely aware of that.  
12 The NPA/NXXs are used primarily for routing  
13 purposes within the network to determine switches  
14 and determine where to route the calls. From my  
15 previous discussion, there is routing and billing  
16 outcomes that come from NPA/NXXs, but for  
17 intercarrier compensation, Verizon's position is  
18 that that should be the originating and terminating  
19 points.

20 MS. PREISS: When you said routing and  
21 billing, did you mean billing end users?

22 MR. PITTERLE: Yes.

1 MS. PREISS: So, it's appropriate to bill  
2 end users based on the originating and terminating  
3 NPA/NXXs, but it's not appropriate to bill other  
4 carriers on that basis?

5 MR. PITTERLE: It would be more  
6 appropriate to be consistent, but the switch cannot  
7 make the determination based on how it's been  
8 programmed, and so the billing is the end result of  
9 the switch being programmed a certain way, and we  
10 cannot bill quite the way we would prefer to in  
11 those calls.

12 MS. PREISS: Okay. That wasn't one  
13 question, and it wasn't easy. I apologize for the  
14 misrepresentation.

15 MR. MOON: Mr. Pitterle, in the Verizon  
16 Exhibit 19, your rebuttal testimony on page seven,  
17 the question was made, are there any solutions to  
18 this problem that Verizon Virginia would find  
19 acceptable, you offer that the CLEC could order  
20 direct facility.

21 And apart from the arguments about the  
22 relative inefficiencies of that, do you disagree

1 with Mr. Talbott's earlier assertion that CLECs  
2 such as AT&T could not order such a direct  
3 facility?

4 MR. PITTERLE: I'm going to try to find  
5 the language. Page seven of my rebuttal?

6 MR. MOON: Yes, Verizon Exhibit 19, line  
7 16.

8 MS. PREISS: While he's looking for that,  
9 AT&T, could we have you mark this, what you were  
10 using, as Verizon Exhibit 54, but has now been  
11 drawn on by your witness? Could that be AT&T  
12 exhibit whatever we are at?

13 MR. McRAE: Yes.

14 MS. PREISS: 37, please, thank you.

15 (AT&T Exhibit No. 37 was  
16 marked for identification.)

17 MR. PITTERLE: Page seven of my rebuttal?

18 MR. MOON: Of your revised rebuttal  
19 testimony.

20 MR. PITTERLE: I'm having difficulty  
21 finding that page. I'm wondering if my counsel  
22 could find that for me.

1 MR. OATES: I'm having the same  
2 difficulty. Is the same number page seven?

3 MR. MOON: Apologies. Direct testimony.  
4 This is Verizon Exhibit 5.

5 MR. PITTERLE: Page seven, correct.

6 MR. MOON: We are looking at line 16.

7 MR. PITTERLE: Thank you.

8 I think our intent to say there is there  
9 is tariff service available that the carriers could  
10 secure dedicated loops from, is what my reading is  
11 of that language.

12 MR. MOON: So, you believe that AT&T could  
13 order a dedicated facility in the same way that  
14 Verizon's dedicated FX customers are able to order  
15 the same?

16 MR. PITTERLE: Yes.

17 MS. PREISS: That would be charged at  
18 access rates, not UNE rates?

19 MR. PITTERLE: Special access rates.

20 MR. MOON: May I ask Mr. Schell to respond  
21 to that?

22 MR. SCHELL: Yes, as I mentioned earlier,

1 because we have a single switch and our customer  
2 loop or dial tone line, if you will, is connected  
3 to one side of the switch, and the NPA/NXX number  
4 is also a resident in the switch, there is nothing  
5 we need to connect. There is no place in the  
6 circuit to insert a private line or dedicated line.  
7 The only place we could possibly use that is to  
8 substitute it for the line that goes from the CLEC  
9 switch to the Verizon end user--I'm sorry, to the  
10 AT&T end user. This is the only place we could  
11 possibly use that.

12 MR. DYGERT: Could you describe where you  
13 are pointing?

14 MS. FARROBA: Between the CLEC switch--

15 MR. SCHELL: The only place a CLEC could  
16 possibly use such a private line service would be  
17 to connect its customer to its switch. In other  
18 words, to use it as a local loop.

19 MR. MOON: Last set of questions is with  
20 regard to, Verizon cites to some state commission  
21 findings, beginning on page 10 of the same exhibit.  
22 With regard to the main PUC, I wanted to ask each

1 of the petitioners whether--just a moment, please.

2 (Pause.)

3 MR. MOON: The question is actually to  
4 Verizon. The question is whether in the context of  
5 citing to the main PUC, are you contending that the  
6 CLECs do not have their own customers and the  
7 NPA/NXX rate center in the exchange and rather they  
8 are Verizon customers in tandem with the main PUC's  
9 decision?

10 MS. PREISS: Maybe I could help here.

11 I think the question is, is Verizon taking  
12 the position that the petitioners do not serve any  
13 customers in the exchanges in which they're taking  
14 NPA/NXX codes?

15 MR. PITTERLE: From this main decision,  
16 I'm going to speak on behalf of what I saw in the  
17 Commission decision, what I heard about it.

18 MS. PREISS: This doesn't mean, and we are  
19 not talking about what's happening.

20 In Virginia, is it Verizon's contention  
21 that either WorldCom, Cox, or AT&T has taken NXX  
22 codes in exchanges in where they actually serve no



1 customers?

2 MR. PITTERLE: I'm not aware if that is  
3 absolutely the case in Virginia, but we have seen  
4 it with a number of CLECs. With these three, I  
5 would not be able to answer that specifically.

6 MS. PREISS: And in the Maine example,  
7 Verizon brought the complaint against brooks in  
8 that complaint; right?

6:00

9 MR. PITTERLE: Yes.

10 MS. PREISS: In that proceeding. And the  
11 Maine Commission found that brooks had not used its  
12 NPA/NXX codes properly; is that correct?

13 MR. PITTERLE: That's my understanding,  
14 yes.

15 MS. PREISS: I don't think we have any  
16 other questions.

17 MR. SCHELL: Just for clarity of the  
18 exhibit, could I mark blue equals C?

19 MR. MOON: Yes.

20 MR. DYGERT: Do counsel have redirect for  
21 this panel?

22 MR. OATES: I have a few questions.

1 MR. MCRAE: AT&T does not have redirect.

2 MR. HARRINGTON: Cox has no redirect.

3 MS. KELLEY: I have one question.

4 REDIRECT EXAMINATION

5 MR. OATES: First of all, Mr. Pitterle,  
6 with respect to the revised version of Verizon  
7 Exhibit 54, the diagram that Mr. Schell is still  
8 drawing on now--it's a work in progress--I have a  
9 simple question, I hope.

10 In that drawing made by Mr. Schell, there  
11 is what was described as a direct transport from  
12 the CLEC switch in City A to the CLEC customer in  
13 City B.

14 Is it--does Verizon contend--is it  
15 Verizon's position that it should recover actual  
16 access toll for that call?

17 MR. PITTERLE: Verizon's position is that  
18 it should recover access toll. The call originated  
19 by Verizon customer in City A and terminated in  
20 City B, then Verizon should recover access.

21 MR. OATES: And would Verizon be satisfied  
22 with any other resolution of this issue regarding

1 the reference to meet point that you made earlier?

2 MR. PITTERLE: On the transport issue, if  
3 the meet point was agreed to, from the perspective  
4 of--again, if parties agreed as to the demark of  
5 the transport and who is covering transport on  
6 either side of the direct facility between the  
7 Verizon switch and the CLEC switch, the local  
8 interconnection trunk facility, then that would  
9 handle the transport issue in a manner similar to  
10 Verizon's--solely Verizon FX service as I described  
11 earlier. That would cover the transport portion.  
12 It would not recover--it would not cover the  
13 end-office switching portion of the Verizon  
14 originating exchange.

15 But I would like to add one last  
16 statement, and that is that Verizon would certainly  
17 feel that reciprocal compensation would not apply  
18 to that call for the terminating site, and  
19 originating access is something that Verizon is  
20 willing to discuss with the parties.

21 MS. FARROBA: Could I just get a  
22 clarification on the meet point on the transport.

1 Where are you referring to in the diagram?

2 MR. PITTERLE: The diagram is not  
3 depicting the situation I described in the past  
4 where the CLEC switch is actually in City B and the  
5 Verizon end office switch is in City A, and I'm  
6 thinking of a situation where the switches are in  
7 different cities, and there is local  
8 interconnection trunks between the two switches.

9 MS. FARROBA: What about for this  
10 hypothetical? Is your answer still the same?

11 MR. PITTERLE: It's still the same on the  
12 basis that the originating and terminating points  
13 are outside the local calling area, based on  
14 Verizon's view that it's still toll-like call.

15 MR. HARRINGTON: I believe the question  
16 was asked on redirect and had been asked and  
17 answered during the cross by the Commission staff  
18 and on top of that the answer went considerably  
19 beyond the question that was asked, and I think we  
20 should have this answer struck.

21 MR. OATES: If it helps, I have no further  
22 redirect on that point.

1 MS. PREISS: We will take into account the  
2 witness's testimony on cross from the Commission's  
3 staff.

4 MR. OATES: Mr. Pitterle, you were asked  
5 during cross-examination about--gave testimony  
6 about a letter which was sent out to CLECs  
7 following the release of the ISP Remand Order. Do  
8 you recall that testimony?

9 MR. PITTERLE: Yes.

10 MR. OATES: I'm going to place in front of  
11 you what was marked for identification as Verizon  
12 Exhibit 55.

13 (Verizon Exhibit No. 55 was  
14 marked for identification.)

15 MR. OATES: And ask if you could identify  
16 that, please.

17 MR. PITTERLE: It looks, if everyone has  
18 it, if I could go ahead. It looks to me to be the  
19 Verizon--it's a generic version of the Verizon May  
20 14th letter to all the CLECs that I discussed  
21 earlier.

22 MR. OATES: I have no more questions.

1 We move Verizon Exhibit 55 into evidence.

2 MR. HARRINGTON: Cox has a question about  
3 the foundation. This doesn't indicate that it was  
4 sent to anyone. There is no actual address, no  
5 actual carrier name. There is a signature, I will  
6 admit.

7 MR. OATES: Mr. Pitterle's testimony lays  
8 the foundation that the letter was sent to all  
9 CLECs with which Verizon does business. He  
10 identified it as being that letter.

11 MS. PREISS: Maybe we could have some  
12 clarification from Mr. Pitterle. Take your time to  
13 read the exhibit.

14 Is this a copy of the letter that was sent  
15 to all CLECs and CMRS providers for which version  
16 interconnections in Virginia, and is it identical  
17 in all respects to those letters except the name  
18 and address of the carrier at the top would differ,  
19 depending on which carrier--to which carrier it was  
20 sent?

21 MR. PITTERLE: Yes.

22 MR. HARRINGTON: I may need some

1 additional cross-examination on this letter, then,  
2 or someone else may.

3 MS. PREISS: Okay.

4 MR. DYGERT: Why don't we take a quick  
5 break.

6 (Brief recess.)

7 MR. DYGERT: All right. Mr. Harrington?

8 MR. HARRINGTON: During the break, the  
9 petitioners conferred, and I can represent we are  
10 not going to have cross on this letter. Although  
11 I'm not convinced that the proper foundation has  
12 been laid, we will not object to it.

13 MR. DYGERT: It will be admitted as  
14 Verizon Exhibit 55.

15 (Verizon Exhibit No. 55 was  
16 admitted into evidence.)

17 MR. DYGERT: And Ms. Kelley?

18 REDIRECT EXAMINATION

19 MS. KELLEY: I have two short questions on  
20 redirect.

21 Mr. Ball, earlier today Mr. Oates asked  
22 you a series of questions about our proposed

1 contract language implementing the ISP order, and  
2 in particular I want to call you back to the  
3 questions he asked you about the rebuttable  
4 presumption.

5 Do you recall those questions?

6 MR. BALL: Yes.

7 MS. KELLEY: And he said, and you agreed,  
8 I believe, that in the ISP order there is a  
9 rebuttable presumption, and he asked you to look in  
10 our language and tell him where that rebuttable  
11 presumption was captured, or the ability to rebut,  
12 I would like to correct, that was captured, and you  
13 indicated there was no such language. Do you  
14 recall that?

15 MR. BALL: Yes, I do.

16 MS. KELLEY: Do you have the ISP order?  
17 Or can you borrow Dr. Collins's?

18 Could you turn to paragraph eight and  
19 specifically the last sentence before the last  
20 asterisk in paragraph eight. It begins "Carriers  
21 that seek to rebut." Do you see that? There is a  
22 series of asterisks in paragraph eight.



1 MR. BALL: I'm in paragraph eight.

2 MS. KELLEY: The last asterisk begins  
3 "Finally, the rate caps." Do you see that?

4 MR. BALL: Yes.

5 MS. KELLEY: I will read it to you,  
6 (reading) Carriers that seek to rebut this  
7 presumption by showing that traffic above the ratio  
8 is not ISP-bound traffic, or conversely the traffic  
9 below the ratio is ISP-bound traffic, may seek  
10 appropriate relief from their state commissions  
11 pursuant to Section 252 of the Act.  
12 Do you see that?

13 MR. BALL: Yes.

14 MS. KELLEY: Is there anything in our  
15 contract language or in WorldCom's proposed  
16 contract language that precludes Verizon from  
17 taking advantage of that or alters their rights in  
18 any way whatsoever?

19 MR. BALL: No.

20 MS. KELLEY: The only question I have for  
21 you, throughout the day there has been a great deal  
22 of discussion about the ISP order and also a great

1 deal of discussion about the FX issue, and you have  
2 been asked a series of questions about that. Could  
3 you just explain the interplay between those  
4 briefly.

5 MR. BALL: Yes, and I will be very brief.  
6 The ISP order creates a new category of traffic,  
7 information access traffic, and that traffic is not  
8 determined by end-to-end analysis. The only  
9 concern we have is that Verizon is somehow  
10 intending to overlay their FX traffic on top of the  
11 ISP order, and classify some ISP calls as toll  
12 calls.

13 And it's our position that whatever  
14 determination is made on that FX traffic that's  
15 independent from ISP traffic, that ISP traffic is  
16 separate because there is no end-to-end  
17 jurisdictional determination needed to determine  
18 that a call is an ISP call.

19 MS. KELLEY: We have nothing further.

20 MS. PREISS: Could I ask a clarification.  
21 What do you mean when you said there is no  
22 end-to-end determination for ISP calls, or

1 something like that?

2 MR. BALL: Well, in the FCC's order there  
3 is language saying that they are not using  
4 end-to-end analysis to determine that ISP calls are  
5 not local.

6 MS. PREISS: We did?

7 MR. BALL: I believe so.

8 MS. PREISS: I guess the order says what  
9 it says, and we could all go back and read it.  
10 Maybe this--are you suggesting--is it WorldCom's  
11 position that all the provisions in the ISP order  
12 relating to intercarrier compensation for ISP-bound  
13 calls apply, regardless of the location of the ISP?

14 MR. BALL: Yes.

15 MS. PREISS: So, if a Verizon end user in  
16 Blacksburg is calling an ISP served by WorldCom  
17 located at the furthest end of that whatever LATA  
18 Blacksburg is in, so it's definitely not within the  
19 same local calling area, WorldCom's position is  
20 that rates in the ISP order apply and Verizon would  
21 owe that compensation to WorldCom for that call?

22 MR. BALL: Yes, but with the understanding

1 that that wouldn't happen because the customer  
2 would be forced to make an intra-LATA phone call,  
3 and it's unlikely that any customer would be  
4 willing to do that.

5 But under the FCC's order that is a  
6 result, is that compensation would be applied.

7 MS. PREISS: Okay. Thanks.

8 MS. FARROBA: We just have one additional  
9 question, and actually it's directed to  
10 Mr. Pitterle for Verizon.

11 I want to clarify on foreign exchange or  
12 FX service. Does Verizon offer that in a situation  
13 where, I guess, across the exchanges where it's got  
14 a Verizon exchange and another ILEC exchange, is it  
15 possible to have an FX service in that situation?

16 MR. PITTERLE: Yes, just between two  
17 carriers, ILECs, as I would call it, or standard FX  
18 service would be a dedicated line that both parties  
19 would coprovision to that FX customer.

20 MS. FARROBA: What sort of compensation  
21 arrangement would there be for that type of service  
22 call placed to--for a call placed to the customer

1 that has the FX service?

2 MR. PITTERLE: As I mentioned before, the  
3 FX customer would pay for all of the transport and  
4 the switching costs out of the Verizon originating  
5 office on a B-1/R-1 basis, and that part is covered  
6 by the end user customer. The two parties bill in  
7 Virginia. It's my understanding that Verizon and  
8 any ILEC are in a bill-and-keep mode, and beyond,  
9 if you will, there is no additional compensation  
10 billed in either direction.

11 MS. FARROBA: But there is a compensation  
12 arrangement between the two ILEC carriers; is that  
13 correct? You're saying it's bill and keep.

14 MR. PITTERLE: Yes, it's a form of  
15 compensation, but both parties have their transport  
16 costs covered, and Verizon has its switch costs  
17 covered from the B-1/R-1 rated charges to the FX  
18 customer. And picture the FX customer in the ILEC  
19 exchange right now, the other ILEC, so we would  
20 build that FX customer of the other ILEC of  
21 business one party or residence one party rate and  
22 transport to the meet point with the other ILEC.

1 They would bill their transport back to their  
2 office. It's wired right through the office and  
3 that switch to the end user that pays for all of  
4 that route in that case, and that's the total sum  
5 of the billing.

6 MS. FARROBA: Thank you.

7 MR. DYGERT: All right. I think that  
8 concludes our work with this panel. Thank you,  
9 gentlemen.

10 I understand now that because of witness  
11 availability concerns for WorldCom, we need to go  
12 to issue IV-45, which relates to fraud prevention  
13 and as a general terms and conditions issue.

14 MS. KELLEY: That's correct, and the  
15 parties have agreed to waive cross-examination on  
16 this issue, at least initially, so we will make  
17 both of them available for staff questioning.

18 MR. DYGERT: Great.

19 (Pause.)

20 MS. RICHARDSON: All right.

21 MS. CARPINO: Let's go back on the record.  
22 We are just going to do one issue from the general

1 terms and conditions panel. Issue 445, fraud  
2 prevention, and would counsel like to introduce  
3 your witnesses.

4 MR. OATES: Yes, we have two witnesses  
5 behalf of Verizon. The first is Mr. Chris  
6 Antoniou, and the second is Pamela Richardson.

7 MS. KELLEY: On behalf of WorldCom, Ron  
8 Zimmerman.

9 MS. CARPINO: Could the Court Reporter  
10 swear in the witnesses, please.

11 Whereupon,

12 PAMELA RICHARDSON

13 RON ZIMMERMAN

14 were called for examination by the Commission and,  
15 after having been duly sworn by the notary public,  
16 were examined and testified as follows:

17 QUESTIONS FROM STAFF

18 MS. CARPINO: Just a reminder that  
19 Mr. Antoniou remains under oath.

20 We understand that the parties have agreed  
21 to waive their cross-examinations of these  
22 witnesses, but we decided that for the benefit of

1 our record it would be more helpful to information  
2 about this crime that you all are seeking to  
3 prevent. So, with that in mind I thank you for  
4 coming in, and let's start with the basics. And I  
5 would direct this question to both parties'  
6 witnesses.

7           Is the fraud that you're attempting to  
8 prevent with this language or deter, is it clip-on  
9 fraud, and if so, could you explain briefly what  
10 that is, and where that occurs.

11           MR. ZIMMERMAN: Yes, it is. Clip-on fraud  
12 is the items that we are addressing in my  
13 testimony, my rebuttal testimony as well.

14           It is a physical attachment to the local  
15 network, and that fraud is perpetrated where  
16 someone is able to use services that, without  
17 paying, that essentially are billed to another  
18 party.

19           MS. CARPINO: Where is it--where is it  
20 your understanding that this fraud occurs?

21           MR. ZIMMERMAN: It would occur under UNE.  
22 It would occur on Verizon's network typically.



1 MS. CARPINO: Physically where in the  
2 network does it occur?

3 MR. ZIMMERMAN: The local--from a  
4 location, specific location, physical address?

5 MS. CARPINO: Yes.

6 MR. ZIMMERMAN: Up to Verizon's network,  
7 within their physical network, their equipment.  
8 So, it would be the wiring, specifically, is where  
9 we--investigations that have occurred in the past,  
10 not specific to Verizon, but just generally  
11 typically occurs on the local interconnect side.

12 MS. CARPINO: Out of the central office?

13 MR. ZIMMERMAN: Yes, prior to the central  
14 office, so central office to the physical address.

15 MS. CARPINO: Okay. Does Verizon have  
16 anything to add to that?

17 MS. RICHARDSON: It could occur on either  
18 side of that connection, so it could be Verizon  
19 side of that setup or it could be on the end-user  
20 side of that setup. They clip on generally  
21 physically at the "sack" box where that line goes  
22 from Verizon to the end-user carrier. Since both

1 MCI and Verizon have a piece of that once it's  
2 connected, that clip-on could occur on either side  
3 of that connection.

4 MS. CARPINO: Thank you.

5 Mr. Zimmerman's rebuttal testimony, which  
6 I believe is WorldCom's Exhibit 36, he indicates  
7 that Verizon requires WorldCom to absorb the costs  
8 of fraud committed against Verizon customers when  
9 the fraud takes place over WorldCom's long-distance  
10 network.

11 Is that your understanding, as well?

12 MS. RICHARDSON: No. Verizon purchases  
13 the receipt of WorldCom to bill to its end users if  
14 a Verizon end user uses the MCI network to make  
15 that call. We ask MCI to be responsible for their  
16 receipts. We are not asking them to indemnify us  
17 for our users. We're asking them to indemnify  
18 their network. We are buying from them what we  
19 believe are collectible revenues. And if it turns  
20 out that those revenues are not collectible, then  
21 we have asked MCI to take those revenues back, and  
22 that's what that uncollectible revenue piece is

1 for. It's not that we are asking them to indemnify  
2 us when our customers actually use that service,  
3 but for any type of uncollectible call which may or  
4 may not be fraud.

5 MS. CARPINO: Mr. Zimmerman, would you  
6 like to respond to?

7 MR. ZIMMERMAN: Specific to the example in  
8 my rebuttal testimony, I disagree with  
9 Ms. Richardson's characterization.

10 The product in question is for Verizon  
11 customers where Verizon recourse is a hundred  
12 percent of any fraud loss back to WorldCom, so I  
13 don't agree with the testimony, specific testimony,  
14 specific to the rebuttal testimony. It is a  
15 product that the customer belongs to Verizon.  
16 They're merely using our network as transport for  
17 their LEC calling card product, their local  
18 exchange carrier calling card product.

19 MS. CARPINO: Okay. This is to the  
20 Verizon panel. Have CLECs agreed to your proposal  
21 in other jurisdictions or other CLECs in Virginia  
22 have agreed to the language you're proposing to

1 WorldCom that you're aware of in Virginia?

2 MS. RICHARDSON: Yes.

3 MS. CARPINO: Or other jurisdictions?

4 MS. RICHARDSON: Several jurisdictions,  
5 including Virginia.

6 MS. CARPINO: Has this issue ever been  
7 arbitrated?

8 MS. RICHARDSON: I believe it was  
9 arbitrated three, maybe four years ago in New York.

10 MS. CARPINO: Do you recall what the  
11 result was?

12 MS. RICHARDSON: I think it was arbitrated  
13 with AT&T and with MCI, and I believe the result in  
14 that arbitration was that we were ordered to  
15 indemnify MCI, I believe, in this situation where  
16 it was clip-on, if I'm remembering that contract  
17 correctly.

18 MR. ANTONIOU: I have a recollection of  
19 the case, although it's not fresh in my mind. In  
20 that particular case, as I recall it, there was a  
21 requirement for indemnification, but it was based  
22 on the circumstances of a particular incident or

1 set of incidents where the coordination between the  
2 companies where there was--in fact ended up being  
3 fraud was not deemed to be appropriate.

4           So, it was not a matter of saying if there  
5 is clip-on fraud in the Verizon network that  
6 Verizon would indemnify; rather, if the other  
7 carrier has brought to Verizon's attention the  
8 possibility of a fraud, and I don't remember if the  
9 standard was that Verizon was unreasonable or in  
10 that case that they should have acted more quickly,  
11 but I know it was based upon the notation of some  
12 sort of issue that appeared to indicate fraud, and  
13 then what steps were taken after that. And in that  
14 case, those steps weren't deemed appropriate, so  
15 indemnification was warranted.

16           MS. CARPINO: Okay. My next question can  
17 be answered by either party. What language exists  
18 in the current agreement that addresses this issue?

19           MR. ZIMMERMAN: The specifics that were  
20 outlined items one through three in the rebuttal  
21 testimony addressed each item in terms of  
22 indemnification and liability. That was what was

1 in the prior agreement.

2 MS. CARPINO: Can either parties' witness  
3 quantify this problem in Virginia? We heard  
4 anecdotally that it's possibly a problem in New  
5 York City or probably is a problem in New York  
6 City. Is this an issue in Virginia?

7 MS. RICHARDSON: In researching that issue  
8 in the last three years, in Verizon we had two  
9 cases of clip-on fraud, and the total liability for  
10 those two cases in total was approximately \$15,000.

11 MS. CARPINO: I guess the last question I  
12 have, and it's to both parties' witnesses, should  
13 the risk of clip-on fraud be based on the service  
14 or the facility, in your opinion?

15 MR. ZIMMERMAN: In my opinion, it should  
16 be based on the facility, as WorldCom does not have  
17 any direct access or control to the  
18 facilities-based network.

19 MS. CARPINO: And Verizon?

20 MR. ANTONIOU: I hope I'm responsive. I  
21 want to say that the language that Verizon has  
22 agreed to include, which is a general provision

1 that the parties will cooperate in a commercially  
2 reasonable manner to try to minimize and eliminate,  
3 if possible, fraud, is the first point.

4           The second point is part of the language  
5 that WorldCom suggested beyond that is that Verizon  
6 agreed to include, is Verizon would make available  
7 fraud prevention features including prevention,  
8 detection, and similar functionalities, embedded in  
9 the network elements in order to assist WorldCom in  
10 making its own assessments as to whether or not  
11 there is fraud ongoing.

12           So, I guess to summarize, we want to work  
13 together so that if there is some sort of signal  
14 out there that fraud may be taking place, that if  
15 we get that sort of message from WorldCom, we will  
16 work with them to go to a site to check and look a  
17 la the arbitration order that Ms. Richardson  
18 mentioned.

19           But other than that, we are very troubled  
20 about saying, as we provide this network, that  
21 somehow we are guaranteeing a network in which  
22 there won't be any fraud because we can't do that,

1 and it doesn't seem to us appropriate to do that.

2           Certainly, the rates that we provide for  
3 UNEs do not include particular places like New York  
4 where there is a lot more clip-on fraud to date  
5 than in Virginia where there might be any sort of  
6 inclusion of the amount that we would have to pay  
7 out through indemnity for clip-on fraud. That's  
8 not part of what our rates have in them.

9           MS. CARPINO: Thank you. I don't have  
10 anything further.

11           MS. FARROBA: Is there any redirect?

12           MR. OATES: None from Verizon.

13           MS. KELLEY: None from WorldCom.

14           MS. FARROBA: Thank you very much.

15           (Off the record.)

16           MR. DYGERT: Just to summarize for the  
17 record what we discussed while we were off, for  
18 subpanel three of pricing terms and conditions,  
19 which is issues VII-12 and VII-14, the parties  
20 agreed to waive cross, and staff had no cross, so  
21 we will be hearing no more of those issues.

22           And I think that's all we could do today.



1 I did want--go ahead.

2 MR. KEFFER: Actually, we are going to  
3 tell you about three other issues that we have  
4 resolved, but because we resolved them today out in  
5 the hall, we want to put the resolution in the  
6 record.

7 MR. DYGERT: The record is all yours.

8 MR. LOUX: As Mr. Keffer stated, we today  
9 resolved issues VII-23, 24, and 25. And if you  
10 would like, I could go into the method of the  
11 resolution which may benefit the record. That  
12 resolution involves modifying the definition--I'm  
13 going to do it by contract references rather than  
14 JDPL. Unfortunately, I'm JDPL-challenged.

15 The definition of tariff in 1.77 will be  
16 revised to delete the language that we had  
17 proposed, the language being that is referenced in  
18 this agreement. Section 2.3, interpretation and  
19 construction, we will delete similar language we  
20 proposed that are referenced herein. And Section  
21 1.0, definitions, we will delete the third sentence  
22 in its entirety that Verizon had proposed.

1           And with that resolution, those three  
2 issues should be resolved.

3           MR. DYGERT:   Great.

4           MR. LOUX:    We thought so, too.

5           MS. KELLEY:   While we are reporting on  
6 successes, I will report that today we have  
7 resolved issues I-10 and V-15, which WorldCom had  
8 joined. I do not have the particular resolution  
9 with me to read into the record, but in terms of  
10 preparing, those two have been resolved.

11           MR. DYGERT:   Are they resolved with  
12 respect to all parties or just with respect to  
13 WorldCom?

14           MS. KELLEY:   Only with respect to  
15 WorldCom, but I don't know one way or the other.

16           MS. FARROBA:   Actually, I thought I-10 was  
17 settled for Cox as well.

18           MR. ANTONIOU:   These settled for everybody  
19 now.

20           MR. HARRINGTON:   I-10 is settled as to Cox  
21 and Verizon. We have yet to provide you with the  
22 contractual language because we have been busy, but

1 we will get it to you.

2 MR. DYGERT: That's true for AT&T as well?

3 MR. ANTONIOU: It was closed originally.

4 MS. FARROBA: And the other issue was  
5 V-15. And that one I have that AT&T had settled  
6 earlier?

7 MR. ANTONIOU: Right. That's closed  
8 across the board too. That was just two of the  
9 petitioners that had it as an issue.

10 MR. KEFFER: Off the record.

11 (Discussion off the record.)

12 (Whereupon, at 6:38 p.m., the hearing was  
13 adjourned until 9:30 p.m. the following day.)

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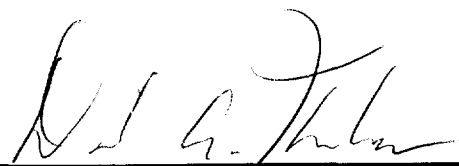
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***C E R T I F I C A T E***

I, **DAVID A. KASDAN**, RMR, the Official Court Reporter for Miller Reporting Company, Inc., hereby certify that I recorded the foregoing proceedings; that the proceedings have been reduced to typewriting by me, or under my direction and that the foregoing transcript is a correct and accurate record of the proceedings to the best of my knowledge, ability and belief.

A handwritten signature in cursive script, appearing to read "David A. Kasdan", written over a horizontal line.

**DAVID A. KASDAN, RMR**